

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Beecher Metropolitan District	County Genesee
Fiscal Year End 6/30/06	Opinion Date 10/25/06	Date Audit Report Submitted to State	

We affirm that:

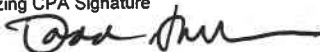
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES 2 Check each applicable box below. (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. ☒ ☐ The local unit has adopted a budget for all required funds.
 5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. ☒ ☐ The local unit is free of repeated comments from previous years.
 12. ☒ ☐ The audit opinion is UNQUALIFIED.
 13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 810-767-5350	
Street Address 111 E. Court St., Suite 1A		City Flint	State MI
Zip 48502			
Authorizing CPA Signature 		Printed Name Tadd Harburn	
		License Number 1101014134	

Financial Report
Beecher Metropolitan District
Flint, Michigan
June 30, 2006

**Beecher Metropolitan District
Financial Statements
For the Fiscal Year Ended June 30, 2006**

Table of Contents

	<u>Page</u>
Report of Independent Auditors.....	1
Management's Discussion and Analysis.....	2-3
Basic Financial Statements:	
Statement of Net Assets	4
Statements of Revenues, Expenses and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to the Basic Financial Statements.....	7-13



Plante & Moran, PLLC

Suite 1A
111 E. Court St.
Flint, MI 48502
Tel: 810.767.5350
Fax: 810.767.8150
plantemoran.com

Independent Auditors' Report

District Commission
Beecher Metropolitan District
1057 West Louis Avenue
Flint, Michigan 48505

We have audited the accompanying basic financial statements of the Beecher Metropolitan District ("District") as of and for the years ended June 30, 2006 and June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Beecher Metropolitan District as of June 30, 2006 and June 30, 2005 and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 3 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and did not express an opinion on it.

Plante & Moran, PLLC

October 25, 2006

Management's Discussion and Analysis

Beecher Metropolitan District
Management's Discussion and Analysis
June 30, 2006

As management of the Beecher Metropolitan District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District.

The basic financial statements for the District are comprised of the statement of net assets, statement of changes in net assets, statement of cash flows, and notes to the financial statements.

The proprietary fund statement of net assets presents the information of the water and sewer fund for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of changes in net assets presents information showing how the business-type fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the business-type fund financial statements.

Financial Highlights

The financial analysis focuses on the proprietary fund statement of net asset and the statement of activities. The total assets of the District are \$6,901,431 of which \$1,577,685 represents cash, cash equivalents, and investments, \$307,076 represent receivables, and \$4,922,806 represents capital assets net of accumulated depreciation. The current liabilities are \$412,601 leaving current net assets of \$6,488,830.

Net assets decreased \$356,237 for the District as a result of \$2,535,250 in operating expenses which are offset by operating revenues of \$1,751,278 and non-operating revenues of \$427,735. Charges for services of \$1,649,826 were generated from metered water sales and sewer service fees.

Net assets invested in capital assets amount to \$4,922,806 and net assets of \$18,098 are restricted for employee benefits, leaving unrestricted net assets of \$1,547,926.

Capital assets, net of accumulated depreciation, totaled \$4,922,806 at June 30, 2006. These assets are depreciated over various lives based on the type of asset. Accumulated depreciation to date is \$4,920,668.

Beecher Metropolitan District's
Net Assets

	<u>2006</u>	<u>2005</u>
Current and other assets	\$1,978,625	\$2,115,427
Capital assets	<u>4,922,805</u>	<u>5,083,729</u>
Total assets	<u>6,901,431</u>	<u>7,199,156</u>
Current liabilities	<u>412,601</u>	<u>354,089</u>
Net assets:		
Invested in capital assets	4,922,806	5,083,729
Restricted	18,098	17,998
Unrestricted	<u>1,547,926</u>	<u>1,743,340</u>
Total net assets	<u><u>\$6,488,830</u></u>	<u><u>\$6,845,067</u></u>

**Beecher Metropolitan District's
Capital Assets - Net of Depreciation**

Business-type Activities

	<u>2006</u>	<u>2005</u>
Land	\$ 13,599	\$ 13,599
Buildings and improvements	12,071	13,138
Machinery and equipment	245,669	279,456
Improvement in water system	2,132,848	2,177,805
Improvement in sewer system	<u>2,518,619</u>	<u>2,599,731</u>
Total	<u>\$4,922,806</u>	<u>\$5,083,729</u>

Net assets may serve over time as a useful indicator of financial position. In the case of the Beecher Metropolitan District, assets exceeded liabilities by \$6,488,830.

By far the largest portion of the District's net assets (76%) reflects its investment in capital assets.

Current and other assets decreased \$136,802 from prior year due to excess expenses over revenues. Capital assets decreased \$160,923 due to annual depreciation. Liabilities increased \$58,512 due to an increase in accounts payable and due to other governments for vendor payables and treatment fees.

**Beecher Metropolitan District's
Changes in Net Assets**

Business-type Activities

	<u>2006</u>	<u>2005</u>
Revenues		
Operating revenues:		
Charges for services	\$1,649,826	\$1,488,777
Other income	101,452	89,858
Non-operating revenues:		
Tax revenues	330,981	301,744
Rental and interest income	<u>96,754</u>	<u>88,159</u>
Total revenues	<u>2,179,013</u>	<u>1,968,538</u>
Expenses:		
Operating	<u>2,535,250</u>	<u>2,708,282</u>
Decrease in net assets	(356,237)	(739,744)
Net assets - beginning of the year	<u>6,845,067</u>	<u>7,584,811</u>
Net assets - end of the year	<u>\$6,488,830</u>	<u>\$6,845,067</u>

Charges for services increased \$161,049 and mainly consist of metered water sales and sewer service fees. Water sales increased \$34,161 and sewer service fees increased \$126,888. Tax revenue increased \$29,237.

The District has experienced a significant decrease in net assets in 2006 and 2005 due to a costly sewer tile initiative and a billing structure that does not fully recover costs of providing services. The sewer tile initiative was a major sump pump installation project throughout the District. The initiative has come to a close in fiscal year 2005 and the related expenses should decrease significantly in the future. The billing structure was addressed in fiscal year 2006 when the District approved rate increases as of February 2006.

Basic Financial Statements

Beecher Metropolitan District
Statement of Net Assets
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ 488,908	\$ 388,025
Investments	852,849	1,000,000
Receivables:		
Accounts	216,776	240,604
Unbilled accounts	68,017	88,298
Interest	-	13,565
Delinquent property taxes receivable	22,283	61,942
Inventories	93,864	87,966
Restricted assets:		
Cash and cash equivalents	235,928	235,027
	<hr/>	<hr/>
Total current assets	1,978,625	2,115,427
Capital assets - net of accumulated depreciation	4,922,806	5,083,729
	<hr/>	<hr/>
Total assets	6,901,431	7,199,156
	<hr/>	<hr/>
Liabilities		
Accounts payable	47,304	18,960
Accrued liabilities	-	116
Due to other government:	147,467	117,984
Payable from restricted assets:		
Customer deposits	217,830	217,029
	<hr/>	<hr/>
Total current liabilities	412,601	354,089
	<hr/>	<hr/>
Net Assets		
Invested in capital assets, net of related deb	4,922,806	5,083,729
Restricted for employee benefit	18,098	17,998
Unrestricted	1,547,926	1,743,340
	<hr/>	<hr/>
Total net assets	\$ 6,488,830	\$ 6,845,067
	<hr/>	<hr/>

The notes to financial statements are an integral part of this statement.

Beecher Metropolitan District
Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2006 and 2005

	T o t a l s	
	2006	2005
Operating revenues:		
Charges for services:		
Metered water sales	\$ 490,037	\$ 455,876
Sewer service fees	1,159,789	1,032,901
Parts and service	34,374	34,137
Penalties	67,078	54,477
Other income	-	1,244
Total operating revenues	1,751,278	1,578,635
Operating expenses:		
Administrative and engineering	979,754	944,690
Accounting and collections	13,066	11,124
Plant maintenance - sewer	95,072	118,624
Plant maintenance - mains, tower & connection	170,895	186,115
Machinery and equipment maintenance	4,418	5,435
Water pumping - wells, distribution	140,807	109,931
Sanitary sewer line maintenance	20,641	28,469
Sanitary sewer weep tile project	36,695	173,247
Sewage pumping	58,625	65,159
Sewage treatment	811,517	855,349
Tools and working equipment expense	4,125	1,314
Automobile and truck expense	30,992	23,445
Depreciation	168,643	185,330
Total operating expenses	2,535,250	2,708,232
Operating loss	(783,972)	(1,129,597)
Nonoperating revenues (expenses)		
Tax revenues	330,981	301,744
Rental income	63,000	59,820
Interest income	33,754	28,339
Loss on sale of assets	-	(50)
Total nonoperating revenues	427,735	389,853
Change in net assets	(356,237)	(739,744)
Net assets - beginning of year	6,845,067	7,584,811
Net assets - end of year	\$ 6,488,830	\$ 6,845,067

The notes to financial statements are an integral part of this statement.

Beecher Metropolitan District
Statements of Cash Flows
Year Ends June 30, 2006 and 2005

	T o t a l s	
	2006	2005
Cash flows from operating activities		
Cash received from customers	\$ 1,795,387	\$ 1,592,435
Cash payments to suppliers	(1,531,241)	(1,795,250)
Cash payments to employees	(782,752)	(781,320)
Net cash used in operating activities	(518,606)	(984,135)
Cash flows from capital and related financing activitie		
Purchases of fixed assets	(7,720)	(8,105)
Proceeds from sales of capital assets	-	3,920
Net cash used in capital and related financing activities	(7,720)	(4,185)
Cash flows from noncapital financing activitie:		
Receipts from rentals	63,000	59,820
Property tax collections	370,640	332,338
Net cash provided by noncapital financing activities	433,640	392,158
Cash flows from investing activities		
Interest earned	47,319	14,774
Purchases (sales) of investments	147,151	(1,000,000)
Net cash provided by (used in) investing activities	194,470	(985,226)
Net decrease in cash and cash equivalents	101,784	(1,581,388)
Cash and cash equivalents - beginning of year	623,052	2,204,440
Cash and cash equivalents - end of yea	\$ 724,836	\$ 623,052
(includes restricted cash and cash equivalents of \$234,93 and \$234,036 for 2006 and 2005, respectively)		
Reconciliation of operating loss to ne cash used in operating activities		
Operating loss	\$ (783,972)	\$ (1,129,596)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	168,643	185,330
Changes in operating assets and liabilities		
Accounts receivable	44,109	13,800
Inventories	(5,898)	(5,834)
Accounts payable	28,344	18,960
Accrued liabilities	(116)	116
Due to other governments	29,483	(75,534)
Customer deposits	801	8,623
Net cash used in operating activitie:	\$ (518,606)	\$ (984,135)

The notes to financial statements are an integral part of this statement.

Notes to Basic Financial Statements

**Beecher Metropolitan District
Notes to Financial Statements
For the Year Ended June 30, 2006**

I. Summary of significant accounting policies

The accounting policies of Beecher Metropolitan District, (the "District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Beecher Metropolitan District, Michigan:

A. Reporting entity

Beecher Metropolitan District, Michigan is governed by an elected five-member board. The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District had no component units at June 30, 2006.

B. Basis of accounting

The accrual basis of accounting is used by the District. The District follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989. The District has elected not to follow private sector standards issued after November 30, 1989.

C. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

D. Operating revenue

Amounts reported as operating revenue include: (1) changes to customers or applicants for goods, services, or privileges provides; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as non-operating revenue rather than as operating revenue. Likewise, non-operating revenue includes all taxes.

E. Property tax revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on February 28 of the following year, at which time penalties and interest are assessed.

The City's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended June 30, 2006, when the proceeds of the levy are available for the financing of operations.

**Beecher Metropolitan District
Notes to Financial Statements
For the Year Ended June 30, 2006**

I. Summary of significant accounting policies – (continued)

E. Property tax revenue – (continued)

The Metropolitan District is permitted by charter to levy up to \$5 per \$1,000 (5 mills) of Taxable Value for general government services, upon real and personal property in their district in the Townships of Genesee and Mt. Morris. For the year ended June 30, 2006, the Beecher Metropolitan District levied 3.5614 mills. These amounts are recognized in the respective water and sewer fund financial statements as tax revenue.

	<u>Taxable Valuation</u>
Genesee Township	\$28,732,540
Mt. Morris Township	<u>65,062,043</u>
Total	<u><u>\$93,794,583</u></u>

F. Assets, liabilities, and net assets or equity

1. Bank deposits and investments

Cash and cash equivalents include cash on hand, demand deposits, and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

2. Receivables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. All amounts are considered collectible at year end.

3. Inventories

Inventories consist of expendable supplies held for consumption and are valued at the lower of cost or market with cost determined on a first-in, first-out basis. The cost value is recorded as an asset until used, at which time it is recorded as an expense.

4. Capital assets

Capital assets consist of property, plant, equipment, and sewer and water line infrastructure assets. Capital assets are defined by the District as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, equipment and sewer and water line infrastructure assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-50
Machinery and equipment	5-100
Water system	10-100
Sewer system	25-100

**Beecher Metropolitan District
Notes to Financial Statements
For the Year Ended June 30, 2006**

I. Summary of significant accounting policies – (continued)

F. Assets, liabilities, and net assets or equity – (continued):

5. Restricted assets

Restricted assets in the Water and Sewer Fund consists of cash and equivalents set aside for customer deposits and employee benefits.

6. Compensated absences

Accumulated unpaid vacation and sick pay are not accrued by Beecher Metropolitan District. Vacation time must be taken and is not allowed to accumulate. Sick and personal time is allowed for eight days per year and is not allowed to accrue.

7. Net assets – Equity displayed in three components as follows:

Invested in capital assets, net of related debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvements of those assets. The District has no debt related to capital assets.

Restricted – This consists of net assets that are legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

II. Detail notes on all funds

A. Deposits and investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated Bank One for the deposit of its funds. The District has adopted an investment policy as of June 30, 2005. The Authority's deposits are in accordance with statutory authority.

Beecher Metropolitan District
Notes to Financial Statements
For the Year Ended June 30, 2006

II. Detail notes on all funds – (continued)

A. Deposits and investments – (continued)

The Authority's cash and investments are subject to two different types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year end, the Authority had \$1,380,815 of bank deposits (certificates of deposit and savings) that were uninsured and uncollateralized. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

B. Capital assets

Capital asset activity for the District was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 13,599	\$ -	\$ -	\$ 13,599
Total capital assets, not being depreciated	13,599	-	-	13,599
Capital assets, being depreciated:				
Buildings and improvements	225,412	-	-	225,412
Machinery and equipment	1,439,106	7,720	14,278	1,432,548
Water system	3,451,992	-	-	3,451,992
Sewer system	4,719,923	-	-	4,719,923
Total capital assets being depreciated	9,836,433	7,720	14,278	9,829,875
Less accumulated depreciation for:				
Buildings and improvements	212,274	1,067	-	213,341
Machinery and equipment	1,159,650	41,507	14,278	1,186,879
Water system	1,274,187	44,957	-	1,319,144
Sewer system	2,120,192	81,112	-	2,201,304
Total accumulated depreciation	4,766,303	168,643	14,278	4,920,668
Total capital assets, being depreciated, net	5,070,130	(160,923)	-	4,909,207
Business-type activities capital assets, net	\$5,083,729	\$(160,923)	\$ -0-	\$4,922,806

**Beecher Metropolitan District
Notes to Financial Statements
For the Year Ended June 30, 2006**

II. Detail notes on all funds – (continued)

B. Capital assets – (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type activities:

Water and sewer

\$168,643

III. Other information

A. Retirement plans

1. Defined benefit pension plan description

The District participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The District has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

Members in the plan at December 31, 2005, the date of the latest actuarial valuation, are comprised of 12 active members, 2 inactive member, and 9 retirees and beneficiaries.

The plan provides for vesting of benefits after 6 years of service for general employees and 10 years of service for administration employees. Participants may elect normal retirement at age 60 with 6 or more years of service for general employees and at age 60 with 10 or more years of services for administration employees. The plan also provides for general employees to retire after 25 years of service and administration employees to retire after 21 years of service.

Election of early retirement is subject to reduction of benefits as outlined below. Generally, as provided by contractual agreement, participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by the sum of 2.5% times the final average compensation (F.A.C.). The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The District and the employees contribute the necessary amounts to fund the actuarial determined benefits. The District makes employer contributions in accordance with funding requirements determined by MERS' actuary. Beginning with payroll periods after January 1, 1996, the District began making the employee contributions in accordance with employment contract provisions. Employer contributions were made in the amount of \$120,231 for the year ended June 30, 2006.

**Beecher Metropolitan District
Notes to Financial Statements
For the Year Ended June 30, 2006**

III. Other information – (continued)

A. Retirement plans – (continued)

1. Defined benefit pension plan description – (continued)

Actuarial assumptions

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

Valuation date	December 31, 2005
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Investment rate of return	8.0%
Projected salary increases	4.5% - 12.90%
Includes inflation at	4.5%
Cost of living adjustments (COLA)	up to 2.5%

Annual pension cost

The District's Annual Required Contribution (ARC) and Annual Pension Costs (APC) for the year ended June 30, 2006 was \$120,231. There was no accumulated Net Pension Obligation (NPO) at June 30, 2006. The Annual Pension Cost (APC), percentage of APC contributed, and Net Pension Obligation (NPO) for the years ended June 30, 2006, 2005, and 2004 are summarized as follows:

<u>Plan Year End</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 82,334	100.0%	\$ -
6/30/05	106,748	100.0	-
6/30/06	120,231	100.0	-

**Pension Plan
Schedule of Funding Progress**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Entry Age (AAL) (b)</u>	<u>Unfunded (Over funded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/c)</u>
6/30/04	12/31/03	\$3,361,003	\$4,023,914	\$662,911	84%	\$730,818	91%
6/30/05	12/31/04	3,568,523	4,423,991	855,468	81	692,766	123
6/30/06	12/31/05	3,778,827	4,451,788	672,961	85	659,121	102

**Beecher Metropolitan District
Notes to Financial Statements
For the Year Ended June 30, 2006**

III. Other information – (continued)

A. Retirement plans – (continued)

2. Deferred compensation plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The law was changed to allow trusts to be created for the plan assets, thereby, insulating the assets from the unit of government's general creditors. The District's plan administrator, ICMA created the trust and placed the assets of the Plan within the trust. As a result, the Plan assets are not shown on the District's financial statements to reflect that the District no longer has any fiduciary or administrative responsibility for the Plan.

3. Defined contribution plan

The District has a defined contribution plan which covers General Division employees hired after January 1, 2004 through the Municipal Employees' Retirement System of Michigan (MERS). The District will contribute 10% and participants will contribute 2% of annual earnings. Payroll costs of all employees and plan participants amounted to \$781,037 and \$74,329 respectively. During the year, the District contributed \$7,867 and participants made required contributions of \$1,394.

B. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for medical benefits provided to employees and participates in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors, and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

IV. Reclassification

There was a reclassification of cash and cash equivalents to restricted cash and cash equivalents for customer deposits in the prior year data in order to be consistent with the current year's presentation.



December 4, 2006

Members of the Commission
Beecher Metropolitan District

We have recently completed our audit of the financial statements of Beecher Metropolitan District for the year ended June 30, 2006. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the members of the Commission, management and others within the District.

Auditor's Responsibility Under Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Beecher Metropolitan District in accordance with generally accepted auditing standards. The following paragraphs explain our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Significant Accounting Policies

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you on accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. We noted no matters related to sensitive accounting estimates.

Audit Adjustments

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. The following matters are being reported to you in this area:

- Book depreciation expense and record disposals
- Book additional amounts related to the certificates of deposits to reflect the balance invested at the last reinvestment period.
- Reverse the prior year accrual entries for accrued interest.
- Reverse the prior year accounts payable and book the current year accounts payable balance.
- Book the property tax revenue.

Auditing standards also require us to inform the members of the Commission about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of the unrecorded possible financial statement adjustments is included as an attachment to this letter.

Disagreements With Management

In the process of conducting an audit, various matters will be discussed with management. In that process, significant differences of opinion may arise regarding the scope of the audit, the application of accounting principles, disclosures to be included in the District's financial statements or the wording of our report. In the interest of keeping you informed of all significant matters, such differences are required to be reported to you even though they are satisfactorily resolved. There were no disagreements with management over the application of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there

were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements or the wording of the auditor's report.

Consultation With Other Accountants

When management consults with other accountants about significant accounting and auditing matters, auditing standards require that we present our views on those matters to you. To our knowledge, there were no such consultations with other accountants.

Major Issues Discussed With Management Prior to Retention

We are required by auditing standards to present to you any major issues that were discussed with management in connection with our retention to perform the current audit. Prior to our retention, we discussed no major issues with management.

New Auditing Standards

We want to mention to the Board the following new auditing standards that will affect auditors' responsibilities in the performance of a financial statement audit.

Statement on Auditing Standards 112

On May 25, 2006, the American Institute of Certified Public Accountants (AICPA) Audit Standards Board issued Statement on Auditing Standards (SAS) 112 Communicating Internal Control Related Matters Identified in an Audit, which supersedes SAS 60, Communication of Internal Control Related Matters Noted in an Audit. The effective date is for audits of financial statements for periods ending on or after December 15, 2006.

The SAS establishes standards and provides guidance to enhance the auditor's communication responsibility to the audit committee or its equivalent concerning significant deficiencies and material weaknesses in internal control noted in a financial statement audit. The SAS defines internal control deficiency, significant deficiency (this term replaces and therefore eliminates the term reportable condition), and material weakness. Internal control deficiencies that constitute significant deficiencies and material weaknesses will be reported to the audit committee or its equivalent in writing and will be made no later than 60 days following the release date of the auditor's report on the financial statements.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Under the new SAS 112, many of the journal entries detailed in the audit adjustment section would provoke a significant deficiency letter. We can work with management to determine the best approach for future audits.

Statement on Auditing Standards 104 - 111

The AICPA issued Statements on Auditing Standards (SAS 104 – SAS 111) that will substantially affect the auditing process. The effective date for the District will be for the audit of the financial statements for the year ending June 30, 2009. At this point, the impact of these standards on our auditing process is being evaluated and we will continue to keep you apprised of the status.

Other Matters

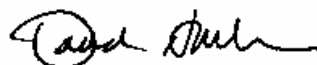
We noted several items that we feel the District should consider implementing to become a stronger organization:

- Capitalization policy- We recommend that the District adopts a formal capitalization policy. We suggest the District adopt a policy of capitalizing items with an individual value of greater than \$1000 and a useful life of two or more years.
- Credit card policy- We recommend that the District adopts a formal credit card policy detailing the policies and expectations for all credit card users.
- Wire transfer policy- We recommend that the District adopts a formal wire transfer policy detailing the policies and procedures for all wire transfers to ensure appropriate segregation of duties.
- Accounts Payable system- We recommend that the District establishes a system of identifying accounts payable at year end.
- Customer deposits liability- We recommend that the District research the abandoned customer deposits liability at year end. The balance has not changed for several years.

We would like to take this opportunity to thank Richard Wurtz and Jackie Huddleston and their staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism were greatly appreciated. We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Tadd Harburn, CPA